United Nations S/2003/300

Security Council

Distr.: General
12 March 2003

Original: English

Letter dated 6 March 2003 from the Chairman of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait addressed to the President of the Security Council

I have the honour to transmit herewith the annual report of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait (see annex). The report, which was adopted by the Committee on 5 March 2003, is being submitted pursuant to the note by the President of the Security Council of 29 March 1995 (S/1995/234).

(*Signed*) Gunter **Pleuger**
Chairman
Security Council Committee established by resolution 661 (1990)
concerning the situation between Iraq and Kuwait

03-27875 (E) 180303

Annex

Annual report of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait

I. Introduction

1. The present report is submitted to the Security Council pursuant to the note by the President of the Security Council dated 29 March 1995 (S/1995/234), by which the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait is requested to report annually to the Security Council, providing a concise indication of its activities for that year. The Committee has so far submitted six annual reports to the Security Council (S/1996/700, S/1997/672, S/1998/1239, S/2000/133, S/2001/738 and S/2002/647). The present report, the seventh of its kind, presents a factual summary of the Committee's major activities from 1 January to 31 December 2002, with references to other matters dealt with by the Committee that year.

2. During the reporting period, the implementation of the arrangements established by resolution 986 (1995) has continued under resolutions 1382 (2001) (phase XI), 1409 (2002) (phase XII), 1443 (2002) (extension of phase XII) and 1447 (2002) (phase XIII). During the reporting period, the Committee submitted a report to the Council for phase XI on the implementation of the arrangements set out in paragraphs 1, 2, 6, 8, 9 and 10 of resolution 986 (1995) (S/2002/1261 of 18 November 2002). The report for phase XII is still in draft form pending adoption by the Committee.

3. In accordance with paragraph 5 of resolution 700 (1991), the Committee is entrusted with the responsibility for monitoring the prohibitions against the sale or supply of arms to Iraq and related sanctions established by resolution 687 (1991). Pursuant to paragraph 6, subparagraph (f), of the guidelines (S/22660) to facilitate full international implementation of paragraphs 24, 25 and 27 of resolution 687 (1991), the Committee has, by the end of the reporting period, submitted 46 reports to the Security Council at 90-day intervals. The four such reports submitted during the reporting period are contained in documents S/2002/84, S/2002/476, S/2002/802 and S/2002/1167.

4. The Committee's bureau is elected by the Security Council at the beginning of each calendar year after consultations among members of the Council. The bureau consists of a Chairman elected in his or her personal capacity and two Vice-Chairmen designated in their national capacity. For the year 2002, the bureau consisted of Ole Peter Kolby (Norway) as Chairman, with the delegations of Bulgaria and Mauritius as Vice-Chairmen.

II. Work of the Committee

5. During the reporting period, the Committee was seized with a variety of issues ranging from sanctions enforcement and monitoring to matters related to the oil-for-food programme. The Committee held 15 formal meetings in 2002, bringing the total number of formal meetings to 243 since its inception in 1990. In accordance

with the decisions taken at the Committee's 132nd and 134th meetings, the Chairman continued to give oral briefings on the work of the Committee to interested delegations and the press after each formal meeting.

6. In addition to formal meetings, the Committee held numerous informal consultations at the expert level to consider various issues concerning its work, in particular issues relating to the implementation of the oil-for-food programme, such as the oil-pricing mechanism, revenue shortfalls and holds on contracts.

A. Implementation of Security Council resolution 986 (1995)

7. The operation under resolution 986 (1995) continued throughout the reporting period, extended successively by resolutions 1382 (2001), 1409 (2002), 1443 (2002) and 1447 (2002). By resolution 1409 (2002), adopted on 14 May 2002, the Security Council significantly changed the modalities of the oil-for-food programme in the light of the new goods review list and the revised procedures, easing the supply of humanitarian goods to Iraq while strengthening control over dual-use items. Against this background, the Committee continued its efforts to overcome remaining difficulties in the approval process for humanitarian supplies to Iraq and to speed up the delivery and distribution of such supplies.

Export of petroleum and petroleum products from Iraq

8. By the end of the reporting period, there were 1,097 national oil purchasers, nominated from 88 countries, authorized to communicate directly with the oil overseers, in accordance with paragraph 2 of the procedures of the Committee (see S/1996/636).

9. In the period covered by the present report, a total of 275 oil contracts were reviewed and approved by the oil overseers and the Committee. The number of liftings made was 330, with a volume of 460 million barrels. The revenue generated amounted to €10,562 million ($11,076 million at the rate of exchange on 31 December 2002). About 39 per cent of the loadings were made at Ceyhan in Turkey.

10. Pursuant to paragraph 14 of the procedures of the Committee, the overseers continued to report to the Committee once a week on the contracts they considered for the sale of petroleum originating in Iraq, including the cumulative quantity and approximate value of petroleum authorized for export. By the end of 2002, 316 such reports had been submitted to the Committee.

11. On 1 and 8 February 2002, at its 230th and 231st meetings, the Committee considered a letter from the State Oil Marketing Organization of Iraq, appealing to the Committee to abandon the practice of "retroactive pricing" which, it claimed, had a negative impact on Iraq's oil exports. Following further information and clarifications on the issue provided by the oil overseers, the question was discussed at a number of formal and informal meetings of the Committee and a number of proposals were tabled by France, the Russian Federation and the United Kingdom of Great Britain and Northern Ireland, respectively, on ways to address the issue.

12. The 237th meeting was held at the ambassadorial level on 19 August 2002 at the urgent request of the Russian Federation to consider the situation caused by the serious drop in Iraqi oil exports. The oil overseers provided an update of the situation, noting that oil exports during phase XII had so far been less than 1 million barrels per day as compared to a sustainable level of 2.1 million barrels per day

during the previous phase. Committee members had an extensive discussion on the issue without reaching common understanding on what caused the situation or on ways to address it.

13. In November 2002, the Committee considered another communication from the State Oil Marketing Organization on the same subject. The Committee decided to request the oil overseers to prepare a consolidated paper comprising all three proposals on the table and conduct further discussions on the whole issue at the expert level. So far no progress has been achieved on the question.

14. At its 235th meeting, on 10 July 2002, the Committee considered requests from Belgium and Oman to import certain oil-derived products from Iraq, and requested the Office of the Iraq Programme to probe into the necessary modalities for such imports before the Committee took a decision. On 2 October, the Office of the Iraq Programme informed the Committee that it had been informed by the State Oil Marketing Organization that "the official position of the Iraqi Government" on the issue was that Iraq "exported crude oil only and had no surplus of products for export".

Humanitarian supplies to Iraq under the oil-for-food programme

15. During the period covered by this report, the Secretariat received 4,491 applications, of which 415 were subsequently cancelled or declared null and void. 2,538 were notified by the Secretariat or approved by the Office of the Iraq Programme. 162 were incomplete or considered to be non-compliant with the Committee's procedures or inactive. 800 were approved, with a total value of approximately $2 billion, and 265 with a total value of $870 million were goods review list non-compliant,[1] 11 had the status "goods review list notice",[2] 26 had the status "goods review list processing",[3] 155 were under UNMOVIC/IAEA review, 111 were under review by the Office of the Iraq Programme, 28 worth $57.2 million were denied by the Committee, one application worth $3.6 million was "supplier lapsed"[4] and two worth $9.3 million were rejected by the Committee. A total of 117 applications worth $146.6 million and previously on hold were returned to suppliers as category A holds under paragraph 18 of the revised procedures.

16. During the reporting period, 806 applications valued at $2.49 billion were placed on hold, 526 valued at $2 billion were released by the Committee, and 724 valued at $1.49 billion were released pursuant to paragraph 18 of Security Council resolution 1409 (2002).

17. The Committee also approved 546 applications worth approximately $145 million for purchases for the United Nations inter-agency humanitarian programmes operating in the northern part of Iraq.

18. The arrival of humanitarian goods is verified and confirmed by the United Nations independent inspection agents, Cotecna, at five entry points, namely, the port of Umm Qasr, Trebil on the Iraqi-Jordanian border, Al-Walid on the Iraqi-Syrian border, Zakho on the Iraqi-Turkish border and Ar'ar on the Iraqi-Saudi Arabian border. The latter entry point became fully operational on 8 November 2002. During the period covered by the present report, a total of 3,810 approved consignments were confirmed as having arrived in Iraq in full or partial shipments. As in previous phases, the Iraqi authorities have accorded the independent inspection agents full cooperation in their work.

Matters related to the oil sector (oil spare parts and cash component)

19. During the period covered by the report, the Secretariat had received 1,660 applications for the export of oil spare parts and equipment to Iraq, 328 of which were subsequently withdrawn. A total of 143 contracts with a value of approximately $107 million were approved; 179 with a value of $205 million were "goods review list non-compliant/inactive".[1] There were 145 applications with a value of $508 million still under evaluation by Secretariat experts, including 121 non-compliant/inactive applications worth $478 million, and 24 with a value of $30 million remained under review by the Office of the Iraq Programme. A total of 777 applications worth $529 million were approved by the Office of the Iraq Programme, 56 were under UNMOVIC/IAEA review, 4 had the status "goods review list notice", 20 had the status "goods review list processing", 17 worth $13.2 million were denied by the Committee, 6 worth $11.3 million were rejected by the Committee, and 2 applications became "supplier lapsed". A total of 54 applications worth $168.8 million and previously on hold were returned to suppliers as category A holds under paragraph 18 of the revised procedures.

20. During the reporting period, 309 applications valued at $306 million were placed on hold, 203 valued at $174 million were released by the Committee, and 281 valued at $166 million were released pursuant to paragraph 18 of Security Council resolution 1409 (2002).

Implementation of the revised procedures pursuant to resolution 1409 (2002)

Registration and processing of applications

21. The registration of applications under the revised procedures became effective on 1 July 2002. As at 31 December, the Office of the Iraq Programme had fully processed a total of 4,563 applications worth $8,553 million under the revised procedures, including new applications, "legacy" applications submitted before 1 July and applications previously placed on hold and now reprocessed under paragraph 18 of the revised procedures (which are attached to resolution 1409 (2002)).

22. Items included in the goods review list have been identified in 193 applications worth $598.7 million, which constitute 4.2 per cent of the number and 7 per cent of the value of all applications reviewed so far by UNMOVIC and IAEA. It should also be noted that most of those applications (119) were previously on hold and were reprocessed under paragraph 18 of the revised procedures. The items identified thus far are mostly heavy vehicles, but also include veterinary vaccines, corrosion-resistant pumps, chemicals, respirators and testing and control equipment. In all cases, notices have been sent to the submitting missions informing them of the options available to the suppliers under the revised procedures. Of the 193 applications found to contain items on the goods review list, a total of 74 applications valued at $101.8 million have been fully processed by the Committee: 45 applications worth $27 million have been denied (60.8 per cent and 26.5 per cent respectively of the total number and the value processed), and 8 applications worth $20.6 million have been rejected (10.8 per cent and 20.2 per cent, respectively).

Implementation of paragraph 4 of the revised procedures

23. Paragraph 4 of the revised procedures stipulates that, at their discretion and subject to the approval of the Committee, UNMOVIC and IAEA may issue guidance regarding what categories of application do not contain any items covered by paragraph 24 of resolution 687 (1991) as it relates to military commodities and products, or military-related commodities or products, covered by the goods review list. UNMOVIC, IAEA and the Office of the Iraq Programme, working in consultation, may develop a procedure whereby the Office may evaluate and approve applications that, based on that guidance, fall within those categories. In a letter dated 28 October 2002 addressed to the Executive Director of the Iraq Programme, the Chairman of the Committee informed him that, of the 5,991 proposed items in the list of 12 categories transmitted by the Executive Director on 11 September, the Committee had approved 5,888 items (98.3 per cent) for inclusion in the "fast-track" list, while removing 103 items (1.7 per cent) from the list. The latter would continue to be reviewed by UNMOVIC and IAEA to ensure that items were not included in the goods review list or otherwise subject to paragraph 24 of resolution 687 (1991).

24. The approved list (the "blue list") has been placed on the web site of the Office of the Iraq Programme. Provided that no other items are included in the applications, free-of-charge or otherwise, the Office will approve such applications containing only items specified in that list, without any further review by UNMOVIC and IAEA. Pursuant to paragraph 17 of the revised procedures, the Committee will continue to be provided with copies of such approved applications for information purposes only. As at 31 December 2002, the Office of Iraq Programme has approved 198 such applications worth $327.2 million, mostly in the health and food sectors.

Implementation of paragraph 18 of the revised procedures

25. At the start of the implementation of paragraph 18 late in June, the number of holds stood at 2,202 applications valued at over $5.4 billion. As at 31 December, all applications in category A holds had been returned to the submitting missions, while all applications in category B had been recirculated to UNMOVIC and IAEA for review, thus effectively marking the completion of the implementation of paragraph 18.

26. UNMOVIC and IAEA have reassessed a total of 1,860 applications worth $4,684 million and found no items included in the goods review list in 969 applications worth over $1.6 billion, which were subsequently approved by the Office of the Iraq Programme. This represents 52 per cent of the number and 34 per cent of the total value of the reassessed applications. The categories of approved goods previously on hold covered a broad spectrum ranging from medicines, chemicals and laboratory supplies and medical and water-treatment equipment to generators, pumps and various types of vehicles not included in the goods review list.

27. UNMOVIC and IAEA still had additional questions concerning 753 category B holds worth almost $2.6 billion.

Efforts by the Committee to address various issues relating to the oil-for-food programme

28. During the reporting period, the Committee continued to attach priority to the work of contract processing to facilitate humanitarian supplies to Iraq.

29. In close cooperation with the Office of the Iraq Programme, the Committee completed its series of informal meetings on sectoral activities with presentations by the United Nations agencies and programmes concerned, as well as discussions on holds in each sector. On 20 February 2002, the World Food Programme briefed the Committee on the transport and food-handling sector. On 20 March, the World Health Organization, the United Nations Children's Fund and the United Nations Office of the Humanitarian Coordinator in Iraq briefed the Committee on the health and nutrition sector in Iraq. Following the sectoral briefings, on 31 May the Committee received a briefing on the general humanitarian situation in northern Iraq by the outgoing Deputy Humanitarian Coordinator.

30. On 22 March 2002, during informal consultations, the United States of America updated the Committee on its latest position regarding the status of holds on certain contracts. In addition, the Office of the Iraq Programme provided several updates and briefings to the Committee on the general issue of holds. Beginning on 28 February, the Office had begun to compile priority lists of holds, specifying the 10 to 15 highest priority items on hold in each sector for the Committee's attention and action, since the items on the priority lists are regarded as essential for the integrity and operation of critical systems and projects.

31. On 14 August 2002, the Committee was briefed at informal consultations by the Office of the Iraq Programme on the implementation of the new procedures established by resolution 1409 (2002). On 10 October, also at informal consultations, the Committee received an additional briefing by the Office, as well as by UNMOVIC, on the implementation of resolution 1409 (2002). On 22 October, another informal meeting was convened to consider issues relating to a number of lists (the so-called "blue list") related to resolution 1409 (2002), which required Committee approval. The Committee approved the lists with modifications on 28 October.

32. On 20 May 2002, at its 234th meeting, the Committee considered a request from Uganda to barter agricultural products for Iraqi oil. The Committee agreed that this was not possible under current Security Council resolutions and decided to inform Uganda accordingly. On 11 October, at its 240th meeting, the Committee considered a letter from the United Arab Emirates, which also appeared to be proposing a barter arrangement. The matter was discussed a number of times in informal consultations. On 11 November, the Committee was informed that the United Arab Emirates had decided to withdraw the request.

33. At informal consultations on 2 December 2002, the Committee had an exchange of views on the question of commercial protection, which had been the subject of discussion since 1999. The matter is still under consideration of the Committee.

34. In April 2002, the Committee continued its discussions at informal meetings on the subject of a cash component for the oil sector. Following several questions posed by some delegations with regard to modalities of implementation of the scheme proposed by the Secretary-General in June 2001 (S/2001/566), at the 237th

meeting of the Committee, on 19 August, the Office of the Iraq Programme informed the Committee that it was currently awaiting a response from Iraq on the issue.

35. At informal consultations on 29 April 2002, the Committee received a briefing by Saybolt, the United Nations independent experts monitoring Iraq's oil export, on the situation of Iraq's oil industry and the need for spare parts and equipment.

B. Humanitarian exemptions under resolution 661 (1990)

36. During the period covered by the present report, the Committee continued to receive and process other notifications and applications to send humanitarian goods to Iraq submitted under resolutions 661 (1990) and 687 (1991). The total number of notifications and applications received from States and international organizations was 9,008, including 110 notifications. The Committee acknowledged receipt of all 36 foodstuff notifications and took note of 74 voluntary notifications for medical supplies to Iraq, which had an estimated combined value of $112,313,095. Under its "no-objection" procedure, the Committee processed all of the remaining 8,898 applications concerning the supply of other categories of goods to Iraq. Some 3,847 of these requests, with an estimated value of $13,849,450,222, were approved; 831 requests with an estimated value of $3,036,164,260 were placed on hold for further information and/or clarification, and 4,218 applications with a value of $24,408,368,965 were blocked. Two applications with a zero value were withdrawn or annulled.

C. Flights

37. During the reporting period, the Committee continued to follow its established practice with regard to flights to Iraq. The Committee processed and responded to over 500 communications concerning flights to Iraq.

38. The Committee also considered a number of related issues. On 10 July 2002, at its 235th meeting, the Committee considered two requests from Bahrain to operate a scheduled commercial air link between Baghdad and Bahrain and an air service to Baghdad for pilgrims going to the holy places in Iraq. As in the past, the Committee was unable to grant blanket approval to regular flights to Iraq but was ready to consider such flights on a case-by-case basis.

39. Following a number of further communications and discussions on the pilgrim flight request, the Committee decided at its 243rd meeting on 11 December 2002 to write to Bahrain to request additional information on the financial arrangements for the proposed flights. The Committee's draft letter to Bahrain is still under consideration, however.

40. From July to December 2002, the Committee considered at a number of meetings a request by the Syrian Arab Republic for approval to use the Iraqi airspace outside the "no-flight zone" for the Syrian Arab Airlines direct flights between Damascus and Tehran. As requested, the Syrian Arab Republic provided further assurances to the Committee against any payment to Iraq for these flights. The Committee discussed the request a number of times without reaching a definitive conclusion. In view of the Committee's understanding that this matter is not prohibited by the relevant Security Council resolutions, the Syrian Arab Republic withdrew its request at the 243rd meeting, and further assured the

Committee that such overflights would be conducted in full conformity with Security Council resolutions.

D. Financial matters

41. On 1 February 2002, at its 230th meeting, the Committee considered a letter from France regarding the diversification of the Iraq escrow account. The United Nations Treasurer provided a briefing on the subject, informing members that final bids with regard to the diversification of humanitarian letters of credit had been received on 30 January 2002, from which five banks would be selected.

42. In the period from July to November 2002, the Committee considered requests from Bahrain and Jordan for the release from the Rafidain Bank of Iraq of frozen funds, which were said to belong, respectively, to the Arab War Risks Insurance Syndicate, a pan-Arab insurance organization, and to the Jordanian-Iraqi Company for Industry. The Committee considered the requests a number of times at its 235th, 236th, 238th and 242nd meetings without reaching consensus on how to proceed, despite efforts by some members to find a compromise solution.

43. On 31 July 2002, at its 236th meeting, the Committee considered a request by the Libyan Arab Jamahiriya to dispose of some 43,000 tons of oil on board an Iraqi tanker stranded for a decade in a Libyan port. After additional clarification by the Libyan Arab Jamahiriya concerning the transfer of ownership of the ship and its cargo, the Committee considered the matter again on 11 December, at its 243rd meeting, and tentatively decided to take it up again in an informal setting with the participation of the Treasurer's office, in view of the financial issues involved in the proposed transaction.

44. On 6 September 2002, at its 238th meeting, the Committee considered a letter from Finland forwarding a request for advice from the trustee of a Finnish company on how to settle the company's bankruptcy estate involving an Iraqi joint venture. The Committee was of the view that it should not get involved in the settlement of any commercial dispute. It considered that it was necessary, however, to send a letter to Finland stressing that no financial resources should be made available to Iraq, as this was proscribed under paragraph 4 of resolution 661 (1990).

45. At the same meeting, the Committee considered a report of the Board of Auditors, transmitted by the Secretary-General, on the audit of the United Nations escrow account covering the year 2001. The report and its recommendations were considered by the members of the Committee with the participation of the officers of the Office of the Iraq Programme concerned. At its 240th meeting, the Committee decided to send a letter of thanks to the Secretary-General for transmitting the report to the Committee.

E. Monitoring arrangements and reported violations

46. On 28 January and 1 February 2002, at its 229th and 230th meetings, the Committee considered a number of media articles submitted for its attention by the delegation of the United Kingdom which contained allegations that the Syrian Arab Republic was illegally importing oil from Iraq through the Iraq-Syrian Arab Republic oil pipeline. The allegation was categorically rejected by the Syrian Arab Republic.

47. At its 229th meeting, the Committee continued its consideration of two German press articles on the alleged involvement of an India-based company in supporting Iraq's weapons development programme, an item the Committee had considered several times in 2001. On 28 February, the Committee sent a letter to India requesting it to investigate the matter, to which the Indian authorities responded by requesting a copy of the German intelligence reports on the subject. A letter to that effect was sent by the Committee to Germany. In an oral response to the Chairman of the Committee, Germany made it clear that, in view of the nature of the matter, it would prefer to take it up with interested members in a bilateral manner if they so wished. The Committee discussed the matter again at its 234th and 235th meetings, on 20 May and 10 July, and decided to request the Chairman to inform India orally of the German response and encourage India to take up the matter bilaterally with Germany.

48. On 8 February 2002, at its 231st meeting, the Committee considered a letter from Liberia requesting the Committee's assistance in apprising it of developments related to the case of the tanker *Essex*, registered in Liberia, which had allegedly exported Iraqi oil outside the oil-for-food programme (see S/2002/647). The Committee agreed to the request and the relevant documentation was subsequently provided to Liberia.

49. At its 232nd meeting, on 19 February 2002, the Committee considered a letter from the Bahamas in response to an earlier letter by the Committee asking for investigations into the *Essex* incident. Since the Committee was still waiting for responses from other States on the matter, the Committee decided to defer discussion of the Bahamas communication until the conclusion of the necessary investigations by the other States.

50. At the same meeting, the Committee considered a response by Jordan to a letter of enquiry sent by the Chairman on 20 October 2001 in connection with a media report claiming that a group of businessmen from some Arab States had donated a Boeing 747 aircraft to the President of Iraq. Jordan requested additional details about the businessmen to enable it to conduct an investigation. The Committee decided to revert to the matter when more responses were received from the other States concerned.

51. Also at its 232nd meeting, the Committee considered a report from the Islamic Republic of Iran on the interception of an alleged oil-smuggling attempt in its territorial waters. The Committee took note of this information.

52. At the same meeting, the Committee discussed a media report submitted to the Committee by the United Kingdom containing allegations that Belarus had provided military training to Iraqi military officers. The Committee also reviewed a statement by the Belarus Ministry of Foreign Affairs, which denied the allegation. The Committee decided to send a letter to Belarus requesting further clarification. The issue was closed following consideration by the Committee, at its 234th meeting, on 20 May, of a response from Belarus, which once again denied the allegation after conducting further investigations into the matter.

53. On 6 March 2002, the Committee held its 233rd meeting at the request of the United States, which alleged that trucks shipped to Iraq under the oil-for-food programme had been diverted for military use. There was no consensus in the Committee on how to respond to this allegation. Iraq, for its part, addressed a letter

to the Chairman on 3 April 2002 denying the accusation, which the Committee considered at its 234th and 235th meetings, on 20 May and 10 July 2002.

54. Also at its 234th meeting, the Committee considered a letter from the Multinational Interception Force providing detailed information on the number of ships seized or diverted during the previous year for illegal oil-smuggling activities in the Gulf area. In this connection, the United Nations Treasurer confirmed that the number of ships thus seized or diverted was much higher than the number of deposits made to the United Nations escrow account. The Committee decided to write to the three States concerned (the Islamic Republic of Iran, Kuwait and the United Arab Emirates), reminding them of their obligation to deposit into the escrow account the proceeds realized from the sale of illegal Iraqi oil cargoes on those ships.

55. On 31 July 2002, at its 236th meeting, the Committee considered a letter from Switzerland submitting additional information with regard to allegations that the Swiss company Glencore International AG had intended to divert Iraqi oil from its original destination for sale in Europe. The Committee found the response inadequate and decided to write another letter to Switzerland requesting additional documentation relating to the sale of the oil in Europe.

56. On 6 September 2002, at its 238th meeting, the Committee considered a press article submitted to the Committee by the United Kingdom regarding a reported agreement between Iraq and Lebanon to reactivate the Tripoli oil refinery in northern Lebanon, under which it was allegedly planned to use Iraqi oil transported via a restored pipeline through the Syrian Arab Republic. The Committee continued its consideration of the issue at its 240th and 242nd meetings, on 11 October and 11 November, and decided, following the receipt of a letter from Lebanon denying the accusation, that no further action was required on the matter.

57. On 30 September 2002, at its 239th meeting, the Committee considered a letter from the Minister for Foreign Affairs of Ukraine to the President of the Security Council, denying allegations of Ukraine's involvement in the transfer of Kolchuga airspace passive surveillance stations to Iraq and inviting the United Nations to establish the facts. The issue was considered by the Committee a number of times, with additional follow-up communications from Ukraine as well as from the United Kingdom and the United States in the wake of their respective investigations into the matter. During the same period, the Committee received a request from the Permanent Representative of Ukraine to participate in the Committee's consideration of the question. In the absence of agreement on how to proceed with the request of Ukraine and in the light of the contradictory conclusions of the investigations, the Committee decided to keep the item on the agenda while allowing further consultations at the expert level. No consensus on the substance of the matter was reached in the Committee.

58. At its 240th meeting, on 11 October, the Committee also considered letters from the United Kingdom drawing the Committee's attention to an advertisement published on the Internet concerning daily flights between Damascus and Baghdad and to newspaper articles reporting that Bahrain had obtained United Nations approval to operate direct flights between Bahrain and Baghdad. Following a brief discussion on the matter, the United Kingdom informed the Committee that it would like to suspend further discussion until a later stage.

59. Also at its 240th meeting, the Committee considered a letter from the Office of the Iraq Programme bringing to the Committee's attention its correspondence with Iraq regarding the cancellation by the State Oil Marketing Organization of an oil purchase contract with a Swiss company. Following receipt of a press article on the matter submitted by the United States, which indicated that illegal payment could have been made by the Swiss company to Iraq, the Committee continued its consideration of the question at its 242nd and 243rd meetings, on 11 November and 11 December. The Committee decided to write a letter to Switzerland requesting it to investigate the matter.

60. On 5 November 2002, at its 241st meeting, the Committee heard a briefing by the Coordinator of the Multinational Interception Force (MIF) on its activities in the Gulf area, with emphasis on the curbing of oil smuggling from Iraq. MIF reported a significant reduction in illegal oil exports from Iraq by sea over the past year as a result of vigorous and effective monitoring and interception by MIF, but indicated at the same time that oil smuggling was continuing, though on a decreasing scale, in the Gulf area, ports in the United Arab Emirates being the main destination. The Coordinator also expressed concern that the ferry service between Iraq and the United Arab Emirates had been found to be carrying illicit cargo to Iraq. The Committee welcomed the briefing and decided to consider further how to address the issues involved.

61. The Committee considered a letter from Greece at its 234th meeting, on 20 May, concerning a Greek vessel, carrying Iraqi oil authorized by the United Nations, which had been delayed for more than 20 hours because of MIF inspections. The Committee decided to forward the letter to MIF, requesting additional information on the case. Following a response from MIF dated 17 October 2002 which explained the circumstances of the incident, the Committee decided at its 243rd meeting on 11 December to forward the MIF response to Greece for the latter's information.

F. Other matters

Passenger shipping services

62. Ferry services to Iraq had been a major issue on the Committee's agenda in the year 2002. Following a number of requests made earlier by some Gulf States to establish passenger shipping services to Iraq, the Committee continued its consideration of related issues, without reaching consensus.

63. On 28 January 2002, at its 229th meeting, the Committee considered a letter from Oman providing further information about its request made earlier to establish a marine service route to Iraq. At the same meeting, the Committee considered a letter from the United Arab Emirates providing additional information about its land-based monitoring arrangements with regard to its proposed marine service to Iraq. The discussions were inconclusive.

64. On 10 July 2002, at its 235th meeting, the Committee took up requests from Bahrain and Qatar to operate passenger marine services to Iraq. Since the existing ferry service of the United Arab Emirates was, according to the briefing given to the Committee by the Coordinator of the Multinational Interception Force, functioning with some irregularities, the Committee decided to request MIF to provide the Committee with an update regarding the current situation and to keep the items on the agenda until more information became available. At the Committee's 241st

meeting, on 5 November, MIF expressed concern that the ferry service between Iraq and the United Arab Emirates had been found to be carrying large amounts of illicit cargo to Iraq. The Committee thus far has not been able to make progress on any request to establish new marine services to Iraq. Meanwhile, a member of the Committee conveyed to the Committee that the United Arab Emirates is committed to the sanctions regime, and has confirmed on many occasions that it stands ready, in this regard, to solve any problem brought to its attention by the Committee.

Article 50

65. On 28 January 2002, at its 229th meeting, the Committee considered two communications from India, which invoked Article 50 of the Charter of the United Nations. India in the communications provided further information about a proposed wheat-for-oil barter arrangement with Iraq which, in India's view, could address India's economic losses incurred as a result of the United Nations sanctions against Iraq. No consensus was reached and the Committee decided to continue consideration of the issue at informal consultations. At the conclusion of the informals, the Committee, on 28 February, sent a letter to India stating that the Committee had been unable to reach consensus on its oil-for-wheat barter proposal.

66. On 20 May 2002, at its 234th meeting, the Committee considered a response from India, requesting the Committee to state the reasons why it had not been able to reach consensus on its proposal. The Committee decided to ask its Chairman to brief India orally about the Committee's deliberations.

67. On 31 July 2002, at its 236th meeting, the Committee considered a letter from Tunisia to the President of the Security Council. In reference to Article 50 of the Charter, Tunisia requested the Council to take note of the losses Tunisia had incurred, totalling $7 billion as at May 2002, as a result of the sanctions against Iraq. The Committee agreed to have its Chairman approach the Permanent Representative of Tunisia to hear what kind of response, if any, he was expecting from the Committee. There has been no further development on the matter.

Transfer of used equipment to Iraq

68. On 20 May 2002, at its 234th meeting, the Committee considered a request by the Department of Economic and Social Affairs of the United Nations Secretariat to transfer used equipment to Iraq. The Committee agreed to the request subject to UNMOVIC verification that none of the items were found to be on the 1051 list.[5]

69. On 11 October and 11 November 2002, at its 240th and 242nd meetings, the Committee considered some lists of written-off supplies and equipment, suggested by the Office of the Iraq Programme for transfer either to the Government of Iraq or to the three northern governorates, some items on a loan basis. The Committee continued its consideration of the proposal at the ensuing expert meetings. A definitive response on the matter is still pending.

Concerns of suppliers in the light of the current situation regarding Iraq

70. On 11 November and 11 December 2002, at its 242nd and 243rd meetings, the Committee considered two communications from Australia voicing concern about the perceived war risks with regard to doing business with Iraq, and requesting changes to the administrative arrangements of the Office of the Iraq Programme to

protect the interests of Australian wheat suppliers. The Committee considered the matter briefly and decided not to pursue the matter any further in view of its hypothetical nature.

III. Conclusions and observations

71. During the reporting period, the volume of the Committee's work continued to increase, as it deals with a variety of technically complex and politically sensitive issues. To ensure effective implementation of the arrangements set out in paragraphs 1, 2, 6, 8, 9 and 10 of resolution 986 (1995), the Committee is committed to continuing to work closely with the Office of the Iraq Programme and all other offices concerned to expedite the processing of humanitarian contracts and the delivery of humanitarian supplies to Iraq. In the light of the new developments on the Iraq question, in particular the adoption of resolution 1441 (2002) on 8 November 2002 and resolution 1454 (2002) on 30 December 2002, the Committee for its part will make continuous efforts to address the humanitarian situation in Iraq as well as other sanctions-related issues within the framework of relevant Security Council resolutions.

72. As in the past, the Committee wishes to express its gratitude to Member States, international organizations, the United Nations Secretariat and all those concerned for their consistent support and cooperation in fulfilling the Committee's mandate under relevant Security Council resolutions.

Notes

[1] More information or clarification is required to complete the review. An application becomes inactive if the requested information or clarification is not received after 90 days.

[2] The supplier has been notified about item(s) on the list; response is pending.

[3] Experts have identified item(s) on the list.

[4] The supplier has failed to submit a petition following the initial denial by the Committee.

[5] The list of items notified to the Committee under the export/import control mechanism established pursuant to resolution 1051 (1996).